

**REPORT TO: TAYSIDE VALUATION JOINT BOARD – 26 AUGUST 2013**

**REPORT ON: INTERNAL AUDIT NEEDS ASSESSMENT & STRATEGIC PLAN 2013 TO 2016 AND INTERNAL ANNUAL AUDIT PLAN 2013/14**

**REPORT BY: ASSESSOR**

**REPORT NO: TVJB 16-2013**

## **1 PURPOSE OF REPORT**

- 1.1 To present to the Board the Internal Audit Needs Assessment and Strategic Plan for 2013 to 2016 (No 2014/01) (abridged), which is attached as an Appendix 1 to this report, and the Internal Audit Annual Plan 2013/14 (No 2014/02) which is attached as Appendix 2.

## **2 RECOMMENDATIONS**

- 2.1 The Board is asked to note the Internal Audit Needs Assessment and Strategic Plan for 2013 to 2016 (Report No 2014/01) (abridged), and the Annual Internal Audit Plan for 2013/14 (Report No 2014/02).

## **3 FINANCIAL IMPLICATIONS**

- 3.1 The cost of Internal Audit Services is provided for in the Assessor's Revenue Budget.

## **4 POLICY IMPLICATIONS**

- 4.1 This report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty and Equality Impact Assessment. There are no major issues.

## **5 BACKGROUND**

- 5.1 The Board has a responsibility to develop and maintain internal control systems, risk management processes, governance arrangements and accounting records. In addition, the Board is responsible for: ensuring that the Board's resources are used appropriately for the activities intended, that fraud and other irregularities are prevented and detected, and that the principles of Best Value complied with. Internal audit reviews support management by giving an independent assessment of the adequacy and effectiveness of the internal controls.
- 5.2 Henderson Loggie have been appointed to provide an internal audit service to the Board in respect of the financial years 2013/14 to 2015/16. After consultation with the Assessor, Henderson Loggie have undertaken an Audit Needs Assessment and prepared a Strategic Plan for the period 2013 to 2016.
- 5.3 The purpose of the Internal Audit Needs Assessment is to identify the main areas where the Board is exposed to risk that can be managed through internal control. Risks have been split into nine categories: Reputation; Council Tax; Non Domestic Rates; Electoral Registration; Staffing Issues; Estates and Facilities; Operational Issues; and Information and IT, and have been assessed using the following criteria:

- Risk Impact
- Risk Likelihood
- Present Controls

5.4 The results obtained from the assessment process identified and prioritised the areas requiring internal audit coverage over the next three years. The Strategic Plan allocates audit days to the categories identified to give a rolling programme of work which will be updated annually to ensure that any new or changed risks are reflected in the annual plan. The Strategic Plan allows for 30 days of audit work to be undertaken in each financial year 2013/14 – 2015/16.

5.5 The Annual Internal Audit Plan (Report No 2014/02) presents the Annual Internal Audit Plan for 2013/14. The plan is based on the allocation of audit days in the Audit Needs Assessment and Strategic Plan. The report sets out the proposed scope and objectives for each audit assignment to be undertaken during 2013/14, together with the proposed audit approach.

5.4 Separate reports detailing the findings of each audit assignment will be prepared and presented to the Board on completion.

## **6 CONSULTATIONS**

6.1 The Clerk and Treasurer to the Board have been consulted on this report.

## **7 BACKGROUND PAPERS**

7.1 None.

**ALASTAIR KIRKWOOD**  
**Assessor**

**August 2013**



HENDERSON LOGGIE

## **Tayside Valuation Joint Board**

### **Audit Needs Assessment and Strategic Plan 2013 to 2016**

**May 2013**

**Internal Audit Report No: 2014/01 Abridged**

**Draft Issued: 28 May 2013**

**Final Issued: 1 August 2013**



## Contents

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	<b>Page No.</b>
1. Introduction	1 - 2
2. Executive Summary	3
3. Audit Needs Assessment	4 - 7
4. Strategic Plan	8 - 14



## Introduction

### **Background**

We have been appointed as internal auditors of Tayside Valuation Joint Board ('the Board') for the period from 1 April 2013 to 31 March 2016.

Internal audit primarily provides an independent and objective opinion to the Board and to the Assessor on risk management, control and governance by measuring and evaluating their effectiveness in achieving the Board's agreed objectives. In addition, internal audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the Board.

Internal audit also provides an independent and objective consultancy service specifically to help line management improve the Board's risk management, control and governance.

### **Audit Needs Assessment**

The Audit Needs Assessment (ANA) has been made following discussion with the Assessor and the external auditors, KPMG LLP, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. Work in the previous three-year cycle has been used to update the key control environment. The ANA has been prepared on the basis of the normal three-year internal audit cycle, covering the period 2013/14 to 2015/16.

The assessment covers the main areas where the Board is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. The assessment has taken no account of the resources available to carry out the work.

Risks have been split into nine categories: Reputation; Council Tax; Non Domestic Rates; Electoral Register; Staffing Issues; Estates and Facilities; Financial Issues; Organisational Issues; and Information and IT.

Following identification of the key controls and associated risks we have assessed the different areas of risk using the following criteria:

- Risk Impact
- Risk Likelihood
- Present Controls

From the combination of results of these three criteria, the work required has been prioritised, and the resource recommended to ensure controls are in place and operating has been assessed, together with a recommendation of the frequency of testing. Previous audit coverage has also been taken into consideration at this stage.

### **Strategic Plan**

Following on from the ANA the Strategic Plan has been formulated to cover the three-year period to 31 March 2016. This should be reviewed annually prior to the Annual Plan and detailed audit planning being finalised.

There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems and budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan.



## Introduction

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### ***Value for Money***

Value for Money (VFM) is an integral part of all audits and has been mentioned at points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the Joint Board although VFM and Best Value principles are always considered during any audit work that we are undertaking.

### ***Business Improvement***

We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment

## Executive Summary

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There are a number of regulatory, operational and financial risks faced by any organisation. There are also risks that are specific to individual organisations, and which vary over time. All of these risks need to be managed effectively since they cannot be eliminated entirely.

The purpose of this ANA is to identify these risks, and assess the audit coverage required to give the Board and Assessor assurances that the control environments operated centrally and in the divisions are effective in reducing the risks to an acceptable level.

Information from ANA interviewees and various documents that we have reviewed identified the following issues as being the main strategic, operational and financial issues facing the Board at this time.

- Managing cuts in revenue and capital funding;
- Monitoring of performance against Key Performance Indicators for the Valuation Roll and Valuation List;
- Review of procedures and practices within the organisation to ensure that service delivery proceeds in the most effective manner;
- Maintenance of relationships with the three Unitary Authorities, Scottish Assessors' Association and the Valuation Office Agency and communication with the general body of Council Tax payers, ratepayers and electors, their agents and representatives, local councillors, MPs and MSPs; and
- Further development of the Board's approach to risk management and assessment; and business continuity planning.
- Implementation of Electoral Registration changes as a result of the Electoral Registration and Administration Act 2013.

Where risks arising from these issues can be impacted by internal control and subjected to internal audit these have been identified in the ANA and prioritised in the Strategic Plan with reference to the combined risk factors identified in the ANA. Prioritisation affects frequency of visits, the number of days allocated, and the position in the three-year cycle.

Risks associated with these, and other issues, do not exist in isolation but are inter-dependent. We will therefore ensure that audit projects are linked where necessary, and results from relevant previous projects will be taken into consideration at the detailed planning stage of each project.



## Audit Needs Assessment

This assessment covers all main financial systems of the Board, and other areas of risk where internal audit can provide assurances regarding control environments.

The assessment covers the following areas where risk arises. Pages 4 to 7 provide a summary of the risk assessment for each risk category. Further detail on each category, including key controls and associated risk, is included in the full report that is available on request from the Assessor or the Audit Partner Cathie Wyllie [cbw@hendersonloggie.co.uk](mailto:cbw@hendersonloggie.co.uk) :

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Reputation</b> <input type="checkbox"/> Damage to Reputation <input type="checkbox"/> Management of Health and Safety <input type="checkbox"/> Failure to adhere to changes in legislation <input type="checkbox"/> Performance Reporting	Medium High Medium Medium	Low Medium Low Low	Good Good Good Good	Low Medium Low Medium
<b>Council Tax</b> <input type="checkbox"/> Maintenance of the Accuracy of Records Relating to Property Bandings <input type="checkbox"/> Valuation and Updating Procedures <input type="checkbox"/> Administering Proposals <input type="checkbox"/> Control of Input to the Valuation List	Medium Medium Medium Medium	Low Low Low Medium	Good Good Good Good	Medium Medium Medium Medium
<b>Non Domestic Rates</b> <input type="checkbox"/> Maintenance of the Accuracy of Records Relating to Current Property Values <input type="checkbox"/> Valuation and Updating Procedures <input type="checkbox"/> Administering Appeals <input type="checkbox"/> Control of Input to the Valuation Roll	Medium Medium Medium Medium	Low Low Low Medium	Good Good Good Good	Medium Medium Medium Medium





## Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Electoral Register</b> <input type="checkbox"/> Maintenance of Accuracy of the Electoral Register	Medium	Medium	Good	Medium
<b>Staffing Issues</b> <input type="checkbox"/> Equalities Legislation <input type="checkbox"/> Contentious Staffing Issues <input type="checkbox"/> Industrial Relations <input type="checkbox"/> Controls Over Payroll <input type="checkbox"/> Failure to Attract and Retain Quality Staff <input type="checkbox"/> Staff training and Development	Medium Medium Medium Medium Medium Medium	Medium Low Low Low Medium Low	Good Good Good Good Good Good	Medium Low Low Low Medium Low
<b>Estates and Facilities</b> <input type="checkbox"/> Physical Security <input type="checkbox"/> Disruption to Operations Following Loss or Breakdown of Key Equipment <input type="checkbox"/> Asset Management <input type="checkbox"/> Breach of Statutory Duty	Medium Medium Medium Medium	Low Medium Medium Low	Good Good Good Good	Low Medium Medium Low



## Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<p><b>Financial Issues</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Failure to receive required funding</li> <li><input type="checkbox"/> Agreed Income and / or Expenditure Targets Not Met</li> <li><input type="checkbox"/> Prevention and Response to Internal Fraud, Impropriety or Misconduct On the Part of Staff</li> <li><input type="checkbox"/> Main Financial Systems               <ul style="list-style-type: none"> <li>• General Ledger</li> <li>• Procurement and Creditors / Purchasing</li> <li>• Debtors / Income</li> <li>• Cash and Bank / Treasury Management</li> </ul> </li> </ul>	<p>High High Medium</p> <p>Medium Medium Low Low</p>	<p>Medium Medium Medium</p> <p>Low Medium Low Low</p>	<p>Good Good Good</p> <p>Good Good Good Good</p>	<p>Medium Medium Medium</p> <p>Low Medium Low Low</p>
<p><b>Organisational Issues</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Major Disaster e.g. Fire / IT Failure</li> <li><input type="checkbox"/> Widespread or epidemic / pandemic illness</li> <li><input type="checkbox"/> Corporate Governance and Overall Control Environment</li> <li><input type="checkbox"/> Effective Corporate Planning</li> <li><input type="checkbox"/> Risk Management</li> <li><input type="checkbox"/> Insurance Arrangements</li> </ul>	<p>High Medium Medium High Medium Medium</p>	<p>Low Low Medium Medium Medium Low</p>	<p>Good Good Good Good Good Good</p>	<p>Medium Low Medium Medium Medium Low</p>



# Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Information and IT</b> <input type="checkbox"/> Failure of third party system providers <input type="checkbox"/> Breach of security surrounding connections to third party systems <input type="checkbox"/> Loss of Data or IT Hardware <input type="checkbox"/> Breach of IT Network Security <input type="checkbox"/> Non-Compliance with Data Protection / Freedom of Information Legislation <input type="checkbox"/> Inappropriate use of Internet / E-mail by staff <input type="checkbox"/> Non-Compliance with User Licence Requirements <input type="checkbox"/> IT Strategy	High High High High Medium Medium Medium Low	Medium Medium Medium Medium Low Medium Low Low	Good Good Good Good Good Good Good Good	Medium Medium Medium Medium Low Medium Low Low

## Strategic Plan

The Strategic Plan covers the three-year period to 31 March 2016. Audit days have been allocated to the categories identified in the ANA to give a rolling programme of work. Where relevant, these have been further split into sub-categories. Frequency of visits, the number of days allocated, and the position in the three-year cycle has been determined with reference to the combined risk factors identified in the ANA and previous internal and external audit coverage.

To clarify the linkage between the ANA and Strategic Plan we have included at pages 9 to 13 a listing of all risk categories, grouped by 'Priority'. On these schedules we have indicated the timing of our audit work, if any, in the three-year cycle, the number of days allocated and the project title as it appears on the Strategic Plan at page 14.

### Audit Methodology

Prior to commencement of the work each year the Strategic Plan will be reviewed in advance of the production of the Annual Plan. The Annual Plan will give more detail of the risks to be covered and the work to be carried out in each area. The process will include discussion with officers and the Board as appropriate.

Once the Annual Plan has been agreed an audit timetable will be set and detailed planning will be carried out for each area.

The mainstream audit work falls into two categories

- Examination of strategic systems.
- Examination of operational systems.

In all cases the audit work involves

- Identification of the expected controls.
- Review of systems to identify actual controls.
- Consideration of established Best Practice in the area.

- Testing of controls to ensure they are operating effectively.
- Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with management and the Joint Board.
- Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
- Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
- Follow-up of action plans in future years in order to confirm that actions have been suitably addressed.

**Medium Priority**

Risk Category	Coverage	Comment
<b>Reputation</b>		
Management of Health and Safety	15/16	Previously covered in 2009/10 and 2012/13, report 2013/02. High-level review of the health and safety arrangements in place at a Corporate Level as well as locations throughout the Board.
Performance Reporting	13/14	Review of procedures for recording and reporting information as required for Annual Public Performance Report.
<b>Council Tax</b>		
Maintenance of the Accuracy of Records Relating to Property Bandings	15/16	Previously covered in 2012/13, report 2013/04. Examination of systems operated in respect of banding requests from individuals and confirming that arrangements for notifications of bandings to councils are adequate.
Valuation and Updating Procedures	15/16	Previously covered in 2012/13, report 2013/04. Review of mechanisms in place for capturing information from builders on new estates.
Administering Proposals	15/16	Previously covered in 2012/13, report 2013/04. Examination of systems operated in respect of banding requests from individuals and confirming requests are dealt with timeously.
Control of Input to the Valuation List	15/16	Previously covered in 2012/13, report 2013/04. Review of mechanisms in place for capturing information from builders on new estates.



## Strategic Plan

### Medium Priority

Risk Category	Coverage	Comment
<b>Non Domestic Rates</b>		
Maintenance of the Accuracy of Records Relating to Current Property Values	14/15	Previously covered in 2008/09, 2009/10 and 2011/12. Report 2012/05 reviewed the controls in place to ensure the Valuation Roll is an accurate, comprehensive and up-to-date record of all non-domestic properties in Angus, Dundee and Perth.
Valuation and Updating Procedures	14/15	As above.
Administering Appeals	14/15	As above.
Control of Input to the Valuation Roll	14/15	As above.
<b>Electoral Register</b>		
Maintenance of Accuracy of the Electoral Register	15/16	Previously covered in 2012/13, report 2013/06. Review of the procedures and controls in place for maintaining the Angus and Perth registers.
<b>Staffing Issues</b>		
Equalities Legislation	13/14	Previously covered in 2008/09, report 2008/06. A high-level review of the recruitment and selection procedures in place at the Board and compliance with Equalities legislation. Compliance with legislation to be covered within Corporate Governance review.
Failure to Attract and Retain Quality Staff	13/14	Previously covered in 2008/09, report 2008/06. A high-level review of the recruitment and selection procedures in place at the Board will be included in a joint review with other payroll and staff related matters.

## Medium Priority

Risk Category	Coverage	Comment
Staff Training and Development	13/14	A review of procedures for ensuring that opportunities for CPD are available and staff development reviews are taking place will be included in a joint review with other payroll and staff related matters.
<b>Estates and Facilities</b>		
Disruption to Operations Following Loss or Breakdown of Key Equipment	14/15	This area has previously been covered as part of the review of business continuity arrangements in 11/12.
Asset Management	13/14	Previously covered in 2010/11, report 2011/07, <i>Asset Management</i> . This reviewed asset management arrangements and was compared against good practice as outlined in the Local Government in Scotland Act 2003 Asset Management under Best Value Advisory Note.
<b>Financial Issues</b>		
Failure to receive required funding	15/16	
Agreed Income and / or Expenditure Targets Not Met	15/16	This area was previously covered in 2012/03, report 2013/05. An examination of the revenue and capital budgetary control procedures in place was carried out.
Prevention and Response to Internal Fraud, Impropriety or Misconduct On the Part of Staff	All	Considered where applicable on all audits.
Procurement and Creditors / Purchasing	14/15	Previously covered in 2011/12. Report 2012/02 focussed on a high-level review of the arrangements in place for ordering and receipting works, ensuring compliance with the Board's policy and procedures as well as the authorising of purchases and payments.
<b>Organisational Issues</b>		
Major Disaster e.g. Fire / IT Failure	14/15	Previously covered in 2008/09, report 2008/07. To be included as part of a high-level review of the risk management and business continuity arrangements in place at the Board.



## Strategic Plan

### Medium Priority

Risk Category	Coverage	Comment
Corporate Governance and Overall Control Environment	13/14	Previously covered in 2010/11, report 2011/05, a high-level review of the corporate governance procedures in place at the Board and its compliance with Governance standards set out in; <i>Delivering Good Governance in Local Government</i> . 2013/14 review to include a high level review of compliance with UK legislation including Fraud, Bribery and Equalities.
Effective Corporate Planning	15/16	
Risk Management	14/15	Previously covered in 2011/12, report 2012/04. This incorporated a high-level review of the risk management and business continuity arrangements in place at the Board.
<b>Information and IT</b>		
Failure of third party system providers	14/15	Will be covered as part of the review of business continuity arrangements.
Loss of Data or IT Hardware	14/15	Previously covered in 2011/12. Report 2012/04 included a high level review of the risk management and business continuity arrangements in place at the Board.
Breach of security surrounding connections to third party systems	14/15	Specific audit risk around data security and connections to third party systems in relation to Independent Electoral Registration which comes into force in 2014. To be covered as part of IT network arrangements.
Breach of IT Network Security	14/15	Will be covered as part of the review of IT network arrangements.
Inappropriate use of Internet / E-mail by staff	14/15	Will be covered as part of the review of IT network arrangements.
IT Disaster Recovery	14/15	The current Disaster recovery plan in place will be reviewed to ensure that this is fit for purpose and that the requirements of the Plan are in place and operate effectively. Will be covered as part of the review of IT network arrangements.
IT Strategy and manuals.	14/15	Will be covered as part of the review of IT network arrangements.





## Strategic Plan

### Low Priority

Risk Category	Coverage	Comment
<b>Reputation</b>		
Damage to Reputation		
Failure to adhere to changes in legislation		
<b>Staffing Issues</b>		
Contentious Staffing Issues		
Industrial Relations		
Controls Over Payroll	13/14	Previously covered in 2010/11, report 2011/04 <i>Payroll</i> covered the main areas of the Payroll system. HR and Payroll to be reviewed.
<b>Estates and Facilities</b>		
Physical Security	13/14	To be covered as part of Asset Management review.
Breach of Statutory Duty		
<b>Financial Issues</b>		
General Ledger	13/14	Previously covered in 2010/11, report 2011/03 General Ledger.
Debtors / Income		
Cash and Bank / Treasury Management	13/14	Bank reconciliations will be covered as part of the General Ledger review.
<b>Organisational Issues</b>		
Widespread or epidemic / pandemic illness		Previously covered in 2011/12 as part of the Business Continuity review, report 2012/04.
Inadequate Insurance Arrangements		As above.
<b>Information and IT</b>		
Non-Compliance with Data Protection / Freedom of Information Legislation	15/16	
Non-Compliance with User Licence Requirements	14/15	Will be covered as part of the review of IT network arrangements.

# Strategic Plan

## Proposed Allocation of Audit Days

	Planned 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
<b>Reputation</b>			
<i>Performance Reporting</i>	4		
<i>Health and Safety</i>			3
<b>Council Tax</b>			7
<b>Non Domestic Rates</b>		8	
<b>Electoral Register</b>			
<i>Accuracy of register / Data security</i>			4
<b>Staffing Issues</b>			
<i>Payroll )</i>			
<i>HR / Staff training and development )</i>	4		
<b>Estates and Facilities</b>			
<i>Asset management</i>	3		
<b>Financial Issues</b>			
<i>Budget setting / budgetary control</i>			3
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash &amp; bank / Treasury management</i>			
<b>Organisational Issues</b>			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	6		
<i>Corporate planning</i>			4
<b>Information and IT</b>			
<i>IT network arrangements / Data security</i>		6	
<i>Data protection / FOI</i>			3
<b>Other Audit Activities</b>			
<i>Management and Planning )</i>	4	4	4
<i>External audit )</i>			
<i>Attendance at audit committees )</i>			
<i>Follow-up reviews</i>	2	2	2
<i>ANA</i>	4		
<b>Total</b>	30	30	30
	=====	=====	=====



**HENDERSON LOGGIE**  
Chartered Accountants

**Tayside Valuation Joint Board**

**Annual Plan  
2013/14**

**Internal Audit Report No: 2014/02**

**Draft Issued: 28 May 2013**

**Final Issued: 1 August 2013**



	<b>Page No.</b>
<b>Section 1</b> <b>Introduction</b>	1
<b>Section 2</b> <b>Strategic Plan 2013 to 2016</b>	2
<b>Section 3</b> <b>Outline Scope and Objectives</b>	
•    Performance Reporting	3
•    Employment Legislation and Policies, Recruitment and Staff Performance & Development	4
•    Asset Management	5
•    General Ledger	6
•    Corporate Governance and Control Environment	7
•    Follow-up Reviews	8



## 1. Introduction

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- 1.1 The purpose of this document is to present to the Tayside Valuation Joint Board ('the Board') the annual internal audit operating plan for the year ended 31 March 2014. The plan is based on the proposed allocation of audit days for 2013/14 set out in the Audit Needs Assessment and Strategic Plan 2013 to 2016. The preparation of the Strategic Plan involved dialogue with management and with the Treasurer.
- 1.2 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment undertaken during 2013/14, together with the audit approach. These were arrived at following discussion with the Assessor.
- 1.3 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.4 A revised Public Sector Internal Audit Standard came into force in April 2013. We confirm that our audit service complies with this standard.



## 2. Strategic Plan 2013 to 2016

### Proposed Allocation of Audit Days

	Planned 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
<b>Reputation</b>			
<i>Performance Reporting</i>	4		
<i>Health and Safety</i>			3
<b>Council Tax</b>			7
<b>Non Domestic Rates</b>		8	
<b>Electoral Register</b>			
<i>Accuracy of register / Data security</i>			4
<b>Staffing Issues</b>			
<i>Payroll</i> )			
<i>HR / Staff training and development</i> )	4		
<b>Estates and Facilities</b>			
<i>Asset management</i>	3		
<b>Financial Issues</b>			
<i>Budget setting / budgetary control</i>			3
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash &amp; bank / Treasury management</i>			
<b>Organisational Issues</b>			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	6		
<i>Corporate planning</i>			4
<b>Information and IT</b>			
<i>IT network arrangements / Data Security</i> )			
<i>IT Strategy</i> )		6	
<i>Data protection / FOI</i>			3
<b>Other Audit Activities</b>			
<i>Management and Planning</i> )	4	4	4
<i>External audit</i> )			
<i>Attendance at audit committees</i> )			
<i>Follow-up reviews</i>	2	2	2
<i>ANA</i>	4		
<b>Total</b>	30	30	30
	====	====	====



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Performance Reporting
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	November 2013
<b>Days:</b>	4

#### **Scope**

The audit will consider the format, content and timeliness of management information, both financial and non-financial, provided to senior management and to the Joint Board in terms of the Annual Public Performance Report. We will also consider whether the information reported to the Joint Board is appropriate, and whether such information is accurate and easy to understand for those who use it.

#### **Objectives**

The objective of our audit will be to obtain reasonable assurance that:

- the performance information needs of users have been identified and the information provided meets those needs;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available which:
  - ◆ reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
  - ◆ enables the impacts of key strategic and operational decisions to be measured;
  - ◆ allows income and costs and to be analysed at a more detailed level;
  - ◆ assists in forecasting;
- processes in place to provide and disseminate management information are efficient.

#### ***Our audit approach will be:***

A sample of Assistant Assessors will be interviewed and the Board's performance reports, and performance reporting procedures, will be reviewed to assess compliance with the above objectives.



### 3. Outline Scope and Objectives

<b>Audit Assignment:</b>	Payroll / HR / Recruitment / Staff Performance & Development
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	June 2014
<b>Days:</b>	4

#### Scope

This audit will include a review of payroll operation, employment legislation and policies, recruitment processes, and actions to retain and improve the Board's staff.

#### Objectives

##### *Payroll*

The specific objectives of the review will be to seek reasonable assurance that:

- all new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the payroll system at the correct dates;
- there is correct calculation of gross pay and deductions, including PAYE, national insurance and pension contributions;
- overtime payments and other variations to pay are properly authorised, processed and recorded;
- there is robust approval and checking of changes to employee standing data;
- payroll reconciliations are completed and reviewed on a timely basis;
- monitoring information is adequate for identifying incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are properly authorised, processed and recorded within the Board's main financial system.

##### *HR / Staff Performance and Development*

The objectives of our audit will be to obtain reasonable assurance that:

- there is a process to identify changes in employment legislation and make changes on a timely basis;
- employment policies in place cover all appropriate areas and are considered adequate;
- staff have access to employment policies and are aware of their requirements;
- the recruitment process is efficient and effective and adheres to the requirements regarding equality;
- the Committee has a systematic approach to setting targets for staff, regularly assessing performance and development of staff and providing feedback; and
- training, including induction training, is clearly informed by an assessment of where staff have skills/ knowledge/performance gaps.

#### ***Our audit approach will be:***

From discussion with appropriate staff and review of procedural documentation, we will identify the internal controls in place and compare them with expected controls. A walkthrough of key payroll, recruitment, performance and training systems will then be undertaken to confirm our understanding followed up with compliance testing where considered necessary. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.





### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Asset Management
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	January 2014
<b>Days:</b>	3

#### **Scope**

This review will cover the arrangements in place for identifying, maintaining, reviewing and disposing of Board assets and the process for approving new capital spend.

#### **Objectives**

The main objective of our audit will be to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives.

To conclude on this objective we will establish whether:

- there is a system for recording assets and checking physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

#### ***Our audit approach will be:***

Staff will be interviewed to understand current asset management systems, procedures and controls. The controls in place will then be compared against good practice.

A sample of items will also be tested to ensure that asset maintenance, disposal and capital appraisal controls are working effectively.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	General Ledger
<b>Priority:</b>	Low
<b>Joint Committee Meeting:</b>	November 2013
<b>Days:</b>	3

#### **Scope**

We will review the following processes as part of the audit:

- month-end financial close process;
- year-end financial close process; and
- updating user access rights and adding / removing users on the main financial system.

#### **Objectives**

The objective of our audit will be to obtain reasonable assurance that systems are in place to ensure that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- changes to the main financial system's user access rights, the addition of new users and removal of leavers are appropriately approved and updated on a timely basis.

#### ***Our audit approach will be:***

We will assess whether the above objectives are being met by documenting the systems and controls through interviews with relevant staff. We will also establish whether the expected key controls are in place by reference to CIPFA standard control risk assessment templates for a general ledger system.

Walkthrough and compliance testing will be performed to determine whether key controls are working effectively.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Corporate Governance and Control Environment
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	June 2014
<b>Days:</b>	6

#### **Scope**

This review will cover corporate governance arrangements within the Board and compare these against best practice. This includes reviewing such items as:

- Code of Corporate Governance;
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Fraud and Corruption policies and procedures;
- Mainstreaming Equality Report;
- Preparation to comply with the Public Records Scotland Act 2011; and
- Complaints and Whistleblowing procedures.

#### **Objectives**

The primary objective of the audit will be to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering good governance in local government – A guidance note for Scottish Authorities published by CIPFA / SOLACE in 2008*, and the subsequent addendum issued in 2012.

The secondary objectives of our audit will be to obtain reasonable assurance that systems are in place to ensure that:

- anti-bribery and anti-corruption policies and procedures exist within the Board that are proportionate to the bribery and corruption risks it faces and to the nature, scale and complexity of its activities;
- procedures are in place to ensure that policies are equalities impact assessed to ensure they meet the requirements of the Equalities Act 2010.

#### **Our audit approach will be:**

We will identify the corporate governance arrangements in place through interviews with staff and analysis of any corporate governance self-assessment. Relevant supporting documentation will also be reviewed to gain evidence that the arrangements in place have been adequately documented, communicated and are operating effectively.

We will also carry out a follow-up review to check whether actions from Internal Audit report 2011/05, *Corporate Governance and Control Environment*, have been adequately implemented.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Follow-Up Reviews
<b>Priority:</b>	Various
<b>Joint Committee Meeting:</b>	January 2014
<b>Days:</b>	2

#### **Scope**

As part of the internal audit programme at the Board for 2013/14 we will review the recommendations raised within internal audit reports issued in 2012/13 and obtain an update on these. Areas covered during 2012/13 were:

- Report 2013/02 – Health & Safety;
- Report 2013/03 – Corporate Planning;
- Report 2013/04 – Council Tax;
- Report 2013/05 – Budget Setting and Budgetary Control; and
- Report 2013/06 – Electoral Register.
- Report 2013/07 – Follow-up

#### **Objectives**

The objective of our follow-up review will be to assess whether recommendations made in internal audit reports from 2012/13 have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

#### ***Our audit approach will be:***

- to request from responsible officers for each report listed above an update on the status of implementation of the recommendations made;
- to ascertain by review of supporting documentation, for any significant recommendations within the reports listed above, whether action undertaken has been adequate; and
- prepare a summary of the current status of the recommendations for the Audit Committee.



HENDERSON LOGGIE

## **Tayside Valuation Joint Board**

### **Audit Needs Assessment and Strategic Plan 2013 to 2016**

**May 2013**

**Internal Audit Report No: 2014/01 Abridged**

**Draft Issued: 28 May 2013**

**Final Issued: 1 August 2013**



## Contents

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	<b>Page No.</b>
1. Introduction	1 - 2
2. Executive Summary	3
3. Audit Needs Assessment	4 - 7
4. Strategic Plan	8 - 14



## Introduction

### **Background**

We have been appointed as internal auditors of Tayside Valuation Joint Board ('the Board') for the period from 1 April 2013 to 31 March 2016.

Internal audit primarily provides an independent and objective opinion to the Board and to the Assessor on risk management, control and governance by measuring and evaluating their effectiveness in achieving the Board's agreed objectives. In addition, internal audit's findings and recommendations are beneficial to line management in the audited areas. Risk management, control and governance comprise the policies, procedures and operations established to ensure the achievement of objectives, the appropriate assessment of risk, the reliability of internal and external reporting and accountability processes, compliance with applicable laws and regulations, and compliance with the behavioural and ethical standards set for the Board.

Internal audit also provides an independent and objective consultancy service specifically to help line management improve the Board's risk management, control and governance.

### **Audit Needs Assessment**

The Audit Needs Assessment (ANA) has been made following discussion with the Assessor and the external auditors, KPMG LLP, and with reference to the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom. Work in the previous three-year cycle has been used to update the key control environment. The ANA has been prepared on the basis of the normal three-year internal audit cycle, covering the period 2013/14 to 2015/16.

The assessment covers the main areas where the Board is exposed to risk that can be managed through internal control, and which therefore should be considered for examination by internal audit. The assessment has taken no account of the resources available to carry out the work.

Risks have been split into nine categories: Reputation; Council Tax; Non Domestic Rates; Electoral Register; Staffing Issues; Estates and Facilities; Financial Issues; Organisational Issues; and Information and IT.

Following identification of the key controls and associated risks we have assessed the different areas of risk using the following criteria:

- Risk Impact
- Risk Likelihood
- Present Controls

From the combination of results of these three criteria, the work required has been prioritised, and the resource recommended to ensure controls are in place and operating has been assessed, together with a recommendation of the frequency of testing. Previous audit coverage has also been taken into consideration at this stage.

### **Strategic Plan**

Following on from the ANA the Strategic Plan has been formulated to cover the three-year period to 31 March 2016. This should be reviewed annually prior to the Annual Plan and detailed audit planning being finalised.

There is an expectation by external auditors that some element of review is included in the internal audit programme each year in relation to core financial systems and budgetary processes and controls. This has been taken into consideration in formulating the Strategic Plan.



## Introduction

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### ***Value for Money***

Value for Money (VFM) is an integral part of all audits and has been mentioned at points within this ANA. Specific VFM reviews will be carried out in areas agreed with management and the Joint Board although VFM and Best Value principles are always considered during any audit work that we are undertaking.

### ***Business Improvement***

We will draw on the experience within our team to provide input on the use of a wide range of business improvement tools, including the use of lean systems and methodologies, where this is appropriate and relevant to the specific audit assignment



## Executive Summary

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There are a number of regulatory, operational and financial risks faced by any organisation. There are also risks that are specific to individual organisations, and which vary over time. All of these risks need to be managed effectively since they cannot be eliminated entirely.

The purpose of this ANA is to identify these risks, and assess the audit coverage required to give the Board and Assessor assurances that the control environments operated centrally and in the divisions are effective in reducing the risks to an acceptable level.

Information from ANA interviewees and various documents that we have reviewed identified the following issues as being the main strategic, operational and financial issues facing the Board at this time.

- Managing cuts in revenue and capital funding;
- Monitoring of performance against Key Performance Indicators for the Valuation Roll and Valuation List;
- Review of procedures and practices within the organisation to ensure that service delivery proceeds in the most effective manner;
- Maintenance of relationships with the three Unitary Authorities, Scottish Assessors' Association and the Valuation Office Agency and communication with the general body of Council Tax payers, ratepayers and electors, their agents and representatives, local councillors, MPs and MSPs; and
- Further development of the Board's approach to risk management and assessment; and business continuity planning.
- Implementation of Electoral Registration changes as a result of the Electoral Registration and Administration Act 2013.

Where risks arising from these issues can be impacted by internal control and subjected to internal audit these have been identified in the ANA and prioritised in the Strategic Plan with reference to the combined risk factors identified in the ANA. Prioritisation affects frequency of visits, the number of days allocated, and the position in the three-year cycle.

Risks associated with these, and other issues, do not exist in isolation but are inter-dependent. We will therefore ensure that audit projects are linked where necessary, and results from relevant previous projects will be taken into consideration at the detailed planning stage of each project.



## Audit Needs Assessment

This assessment covers all main financial systems of the Board, and other areas of risk where internal audit can provide assurances regarding control environments.

The assessment covers the following areas where risk arises. Pages 4 to 7 provide a summary of the risk assessment for each risk category. Further detail on each category, including key controls and associated risk, is included in the full report that is available on request from the Assessor or the Audit Partner Cathie Wyllie [cbw@hendersonloggie.co.uk](mailto:cbw@hendersonloggie.co.uk) :

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Reputation</b> <input type="checkbox"/> Damage to Reputation <input type="checkbox"/> Management of Health and Safety <input type="checkbox"/> Failure to adhere to changes in legislation <input type="checkbox"/> Performance Reporting	Medium High Medium Medium	Low Medium Low Low	Good Good Good Good	Low Medium Low Medium
<b>Council Tax</b> <input type="checkbox"/> Maintenance of the Accuracy of Records Relating to Property Bandings <input type="checkbox"/> Valuation and Updating Procedures <input type="checkbox"/> Administering Proposals <input type="checkbox"/> Control of Input to the Valuation List	Medium Medium Medium Medium	Low Low Low Medium	Good Good Good Good	Medium Medium Medium Medium
<b>Non Domestic Rates</b> <input type="checkbox"/> Maintenance of the Accuracy of Records Relating to Current Property Values <input type="checkbox"/> Valuation and Updating Procedures <input type="checkbox"/> Administering Appeals <input type="checkbox"/> Control of Input to the Valuation Roll	Medium Medium Medium Medium	Low Low Low Medium	Good Good Good Good	Medium Medium Medium Medium



## Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Electoral Register</b> <input type="checkbox"/> Maintenance of Accuracy of the Electoral Register	Medium	Medium	Good	Medium
<b>Staffing Issues</b> <input type="checkbox"/> Equalities Legislation <input type="checkbox"/> Contentious Staffing Issues <input type="checkbox"/> Industrial Relations <input type="checkbox"/> Controls Over Payroll <input type="checkbox"/> Failure to Attract and Retain Quality Staff <input type="checkbox"/> Staff training and Development	Medium Medium Medium Medium Medium Medium	Medium Low Low Low Medium Low	Good Good Good Good Good Good	Medium Low Low Low Medium Low
<b>Estates and Facilities</b> <input type="checkbox"/> Physical Security <input type="checkbox"/> Disruption to Operations Following Loss or Breakdown of Key Equipment <input type="checkbox"/> Asset Management <input type="checkbox"/> Breach of Statutory Duty	Medium Medium Medium Medium	Low Medium Medium Low	Good Good Good Good	Low Medium Medium Low



## Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Financial Issues</b>				
<input type="checkbox"/> Failure to receive required funding	High	Medium	Good	Medium
<input type="checkbox"/> Agreed Income and / or Expenditure Targets Not Met	High	Medium	Good	Medium
<input type="checkbox"/> Prevention and Response to Internal Fraud, Impropriety or Misconduct On the Part of Staff	Medium	Medium	Good	Medium
<input type="checkbox"/> Main Financial Systems				
• General Ledger	Medium	Low	Good	Low
• Procurement and Creditors / Purchasing	Medium	Medium	Good	Medium
• Debtors / Income	Low	Low	Good	Low
• Cash and Bank / Treasury Management	Low	Low	Good	Low
<b>Organisational Issues</b>				
<input type="checkbox"/> Major Disaster e.g. Fire / IT Failure	High	Low	Good	Medium
<input type="checkbox"/> Widespread or epidemic / pandemic illness	Medium	Low	Good	Low
<input type="checkbox"/> Corporate Governance and Overall Control Environment	Medium	Medium	Good	Medium
<input type="checkbox"/> Effective Corporate Planning	High	Medium	Good	Medium
<input type="checkbox"/> Risk Management	Medium	Medium	Good	Medium
<input type="checkbox"/> Insurance Arrangements	Medium	Low	Good	Low



## Audit Needs Assessment

Risk Category	Risk Impact	Risk Likelihood	Present Controls	Priority
<b>Information and IT</b> <input type="checkbox"/> Failure of third party system providers <input type="checkbox"/> Breach of security surrounding connections to third party systems <input type="checkbox"/> Loss of Data or IT Hardware <input type="checkbox"/> Breach of IT Network Security <input type="checkbox"/> Non-Compliance with Data Protection / Freedom of Information Legislation <input type="checkbox"/> Inappropriate use of Internet / E-mail by staff <input type="checkbox"/> Non-Compliance with User Licence Requirements <input type="checkbox"/> IT Strategy	High High High High Medium Medium Medium Low	Medium Medium Medium Medium Low Medium Low Low	Good Good Good Good Good Good Good Good	Medium Medium Medium Medium Low Medium Low Low

## Strategic Plan

The Strategic Plan covers the three-year period to 31 March 2016. Audit days have been allocated to the categories identified in the ANA to give a rolling programme of work. Where relevant, these have been further split into sub-categories. Frequency of visits, the number of days allocated, and the position in the three-year cycle has been determined with reference to the combined risk factors identified in the ANA and previous internal and external audit coverage.

To clarify the linkage between the ANA and Strategic Plan we have included at pages 9 to 13 a listing of all risk categories, grouped by 'Priority'. On these schedules we have indicated the timing of our audit work, if any, in the three-year cycle, the number of days allocated and the project title as it appears on the Strategic Plan at page 14.

### Audit Methodology

Prior to commencement of the work each year the Strategic Plan will be reviewed in advance of the production of the Annual Plan. The Annual Plan will give more detail of the risks to be covered and the work to be carried out in each area. The process will include discussion with officers and the Board as appropriate.

Once the Annual Plan has been agreed an audit timetable will be set and detailed planning will be carried out for each area.

The mainstream audit work falls into two categories

- Examination of strategic systems.
- Examination of operational systems.

In all cases the audit work involves

- Identification of the expected controls.
- Review of systems to identify actual controls.
- Consideration of established Best Practice in the area.

- Testing of controls to ensure they are operating effectively.
- Consideration of VFM issues where appropriate on all audit assignments and conducting specific VFM reviews as agreed with management and the Joint Board.
- Consideration of the relevance of business improvement tools, including lean systems and methodologies, to individual audit assignments.
- Discussion of findings and our likely recommendations with the relevant managers and staff involved with the systems. Recommendations will be graded to help management prioritise their importance.
- Issue of a draft report to confirm factual accuracy and obtain official management responses for inclusion in the final report.
- Issue of a final report that summarises audit objectives, work carried out, the implications of the findings for internal control, and an action plan with areas for improvement. The action plan will allocate responsibility for the implementation and give a timeframe for completion.
- Follow-up of action plans in future years in order to confirm that actions have been suitably addressed.

**Medium Priority**

Risk Category	Coverage	Comment
<b>Reputation</b>		
Management of Health and Safety	15/16	Previously covered in 2009/10 and 2012/13, report 2013/02. High-level review of the health and safety arrangements in place at a Corporate Level as well as locations throughout the Board.
Performance Reporting	13/14	Review of procedures for recording and reporting information as required for Annual Public Performance Report.
<b>Council Tax</b>		
Maintenance of the Accuracy of Records Relating to Property Bandings	15/16	Previously covered in 2012/13, report 2013/04. Examination of systems operated in respect of banding requests from individuals and confirming that arrangements for notifications of bandings to councils are adequate.
Valuation and Updating Procedures	15/16	Previously covered in 2012/13, report 2013/04. Review of mechanisms in place for capturing information from builders on new estates.
Administering Proposals	15/16	Previously covered in 2012/13, report 2013/04. Examination of systems operated in respect of banding requests from individuals and confirming requests are dealt with timeously.
Control of Input to the Valuation List	15/16	Previously covered in 2012/13, report 2013/04. Review of mechanisms in place for capturing information from builders on new estates.



# Strategic Plan

## Medium Priority

Risk Category	Coverage	Comment
<b>Non Domestic Rates</b>		
Maintenance of the Accuracy of Records Relating to Current Property Values	14/15	Previously covered in 2008/09, 2009/10 and 2011/12. Report 2012/05 reviewed the controls in place to ensure the Valuation Roll is an accurate, comprehensive and up-to-date record of all non-domestic properties in Angus, Dundee and Perth.
Valuation and Updating Procedures	14/15	As above.
Administering Appeals	14/15	As above.
Control of Input to the Valuation Roll	14/15	As above.
<b>Electoral Register</b>		
Maintenance of Accuracy of the Electoral Register	15/16	Previously covered in 2012/13, report 2013/06. Review of the procedures and controls in place for maintaining the Angus and Perth registers.
<b>Staffing Issues</b>		
Equalities Legislation	13/14	Previously covered in 2008/09, report 2008/06. A high-level review of the recruitment and selection procedures in place at the Board and compliance with Equalities legislation. Compliance with legislation to be covered within Corporate Governance review.
Failure to Attract and Retain Quality Staff	13/14	Previously covered in 2008/09, report 2008/06. A high-level review of the recruitment and selection procedures in place at the Board will be included in a joint review with other payroll and staff related matters.



## Medium Priority

Risk Category	Coverage	Comment
Staff Training and Development	13/14	A review of procedures for ensuring that opportunities for CPD are available and staff development reviews are taking place will be included in a joint review with other payroll and staff related matters.
<b>Estates and Facilities</b>		
Disruption to Operations Following Loss or Breakdown of Key Equipment	14/15	This area has previously been covered as part of the review of business continuity arrangements in 11/12.
Asset Management	13/14	Previously covered in 2010/11, report 2011/07, <i>Asset Management</i> . This reviewed asset management arrangements and was compared against good practice as outlined in the Local Government in Scotland Act 2003 Asset Management under Best Value Advisory Note.
<b>Financial Issues</b>		
Failure to receive required funding	15/16	
Agreed Income and / or Expenditure Targets Not Met	15/16	This area was previously covered in 2012/03, report 2013/05. An examination of the revenue and capital budgetary control procedures in place was carried out.
Prevention and Response to Internal Fraud, Impropriety or Misconduct On the Part of Staff	All	Considered where applicable on all audits.
Procurement and Creditors / Purchasing	14/15	Previously covered in 2011/12. Report 2012/02 focussed on a high-level review of the arrangements in place for ordering and receipting works, ensuring compliance with the Board's policy and procedures as well as the authorising of purchases and payments.
<b>Organisational Issues</b>		
Major Disaster e.g. Fire / IT Failure	14/15	Previously covered in 2008/09, report 2008/07. To be included as part of a high-level review of the risk management and business continuity arrangements in place at the Board.



## Strategic Plan

### Medium Priority

Risk Category	Coverage	Comment
Corporate Governance and Overall Control Environment	13/14	Previously covered in 2010/11, report 2011/05, a high-level review of the corporate governance procedures in place at the Board and its compliance with Governance standards set out in; <i>Delivering Good Governance in Local Government</i> . 2013/14 review to include a high level review of compliance with UK legislation including Fraud, Bribery and Equalities.
Effective Corporate Planning	15/16	
Risk Management	14/15	Previously covered in 2011/12, report 2012/04. This incorporated a high-level review of the risk management and business continuity arrangements in place at the Board.
<b>Information and IT</b>		
Failure of third party system providers	14/15	Will be covered as part of the review of business continuity arrangements.
Loss of Data or IT Hardware	14/15	Previously covered in 2011/12. Report 2012/04 included a high level review of the risk management and business continuity arrangements in place at the Board.
Breach of security surrounding connections to third party systems	14/15	Specific audit risk around data security and connections to third party systems in relation to Independent Electoral Registration which comes into force in 2014. To be covered as part of IT network arrangements.
Breach of IT Network Security	14/15	Will be covered as part of the review of IT network arrangements.
Inappropriate use of Internet / E-mail by staff	14/15	Will be covered as part of the review of IT network arrangements.
IT Disaster Recovery	14/15	The current Disaster recovery plan in place will be reviewed to ensure that this is fit for purpose and that the requirements of the Plan are in place and operate effectively. Will be covered as part of the review of IT network arrangements.
IT Strategy and manuals.	14/15	Will be covered as part of the review of IT network arrangements.



## Strategic Plan

### Low Priority

Risk Category	Coverage	Comment
<b>Reputation</b>		
Damage to Reputation		
Failure to adhere to changes in legislation		
<b>Staffing Issues</b>		
Contentious Staffing Issues		
Industrial Relations		
Controls Over Payroll	13/14	Previously covered in 2010/11, report 2011/04 <i>Payroll</i> covered the main areas of the Payroll system. HR and Payroll to be reviewed.
<b>Estates and Facilities</b>		
Physical Security	13/14	To be covered as part of Asset Management review.
Breach of Statutory Duty		
<b>Financial Issues</b>		
General Ledger	13/14	Previously covered in 2010/11, report 2011/03 General Ledger.
Debtors / Income		
Cash and Bank / Treasury Management	13/14	Bank reconciliations will be covered as part of the General Ledger review.
<b>Organisational Issues</b>		
Widespread or epidemic / pandemic illness		Previously covered in 2011/12 as part of the Business Continuity review, report 2012/04.
Inadequate Insurance Arrangements		As above.
<b>Information and IT</b>		
Non-Compliance with Data Protection / Freedom of Information Legislation	15/16	
Non-Compliance with User Licence Requirements	14/15	Will be covered as part of the review of IT network arrangements.

# Strategic Plan

## Proposed Allocation of Audit Days

	Planned 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
<b>Reputation</b>			
<i>Performance Reporting</i>	4		
<i>Health and Safety</i>			3
<b>Council Tax</b>			7
<b>Non Domestic Rates</b>		8	
<b>Electoral Register</b>			
<i>Accuracy of register / Data security</i>			4
<b>Staffing Issues</b>			
<i>Payroll )</i>			
<i>HR / Staff training and development )</i>	4		
<b>Estates and Facilities</b>			
<i>Asset management</i>	3		
<b>Financial Issues</b>			
<i>Budget setting / budgetary control</i>			3
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash &amp; bank / Treasury management</i>			
<b>Organisational Issues</b>			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	6		
<i>Corporate planning</i>			4
<b>Information and IT</b>			
<i>IT network arrangements / Data security</i>		6	
<i>Data protection / FOI</i>			3
<b>Other Audit Activities</b>			
<i>Management and Planning )</i>	4	4	4
<i>External audit )</i>			
<i>Attendance at audit committees )</i>			
<i>Follow-up reviews</i>	2	2	2
<i>ANA</i>	4		
<b>Total</b>	30	30	30
	=====	=====	=====



**HENDERSON LOGGIE**  
Chartered Accountants

**Tayside Valuation Joint Board**

**Annual Plan  
2013/14**

**Internal Audit Report No: 2014/02**

**Draft Issued: 28 May 2013**

**Final Issued: 1 August 2013**



	<b>Page No.</b>
<b>Section 1</b>	
<b>Introduction</b>	1
<b>Section 2</b>	
<b>Strategic Plan 2013 to 2016</b>	2
<b>Section 3</b>	
<b>Outline Scope and Objectives</b>	
• Performance Reporting	3
• Employment Legislation and Policies, Recruitment and Staff Performance & Development	4
• Asset Management	5
• General Ledger	6
• Corporate Governance and Control Environment	7
• Follow-up Reviews	8



## 1. Introduction

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- 1.1 The purpose of this document is to present to the Tayside Valuation Joint Board ('the Board') the annual internal audit operating plan for the year ended 31 March 2014. The plan is based on the proposed allocation of audit days for 2013/14 set out in the Audit Needs Assessment and Strategic Plan 2013 to 2016. The preparation of the Strategic Plan involved dialogue with management and with the Treasurer.
- 1.2 At Section 3 of this report we have set out the outline scope and objectives for each audit assignment undertaken during 2013/14, together with the audit approach. These were arrived at following discussion with the Assessor.
- 1.3 Separate reports will be issued for each assignment. Recommendations are graded in each report to reflect the significance of the issues raised.
- 1.4 A revised Public Sector Internal Audit Standard came into force in April 2013. We confirm that our audit service complies with this standard.



## 2. Strategic Plan 2013 to 2016

### Proposed Allocation of Audit Days

	Planned 13/14 Days	Planned 14/15 Days	Planned 15/16 Days
<b>Reputation</b>			
<i>Performance Reporting</i>	4		
<i>Health and Safety</i>			3
<b>Council Tax</b>			7
<b>Non Domestic Rates</b>		8	
<b>Electoral Register</b>			
<i>Accuracy of register / Data security</i>			4
<b>Staffing Issues</b>			
<i>Payroll</i> )			
<i>HR / Staff training and development</i> )	4		
<b>Estates and Facilities</b>			
<i>Asset management</i>	3		
<b>Financial Issues</b>			
<i>Budget setting / budgetary control</i>			3
<i>General ledger</i>	3		
<i>Procurement and creditors / purchasing</i>		5	
<i>Debtors / income</i>			
<i>Cash &amp; bank / Treasury management</i>			
<b>Organisational Issues</b>			
<i>Risk management / Business continuity</i>		5	
<i>Corporate governance and control environment</i>	6		
<i>Corporate planning</i>			4
<b>Information and IT</b>			
<i>IT network arrangements / Data Security</i> )			
<i>IT Strategy</i> )		6	
<i>Data protection / FOI</i>			3
<b>Other Audit Activities</b>			
<i>Management and Planning</i> )	4	4	4
<i>External audit</i> )			
<i>Attendance at audit committees</i> )			
<i>Follow-up reviews</i>	2	2	2
<i>ANA</i>	4		
<b>Total</b>	30	30	30
	====	====	====





### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Performance Reporting
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	November 2013
<b>Days:</b>	4

#### **Scope**

The audit will consider the format, content and timeliness of management information, both financial and non-financial, provided to senior management and to the Joint Board in terms of the Annual Public Performance Report. We will also consider whether the information reported to the Joint Board is appropriate, and whether such information is accurate and easy to understand for those who use it.

#### **Objectives**

The objective of our audit will be to obtain reasonable assurance that:

- the performance information needs of users have been identified and the information provided meets those needs;
- performance information is clearly set out, easily accessible, accurate, provided on a timely basis and readily understood by users;
- management information is available which:
  - ◆ reports on appropriate key performance indicators and, where applicable, on outputs, outcomes and impacts;
  - ◆ enables the impacts of key strategic and operational decisions to be measured;
  - ◆ allows income and costs and to be analysed at a more detailed level;
  - ◆ assists in forecasting;
- processes in place to provide and disseminate management information are efficient.

#### ***Our audit approach will be:***

A sample of Assistant Assessors will be interviewed and the Board's performance reports, and performance reporting procedures, will be reviewed to assess compliance with the above objectives.



### 3. Outline Scope and Objectives

<b>Audit Assignment:</b>	Payroll / HR / Recruitment / Staff Performance & Development
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	June 2014
<b>Days:</b>	4

#### Scope

This audit will include a review of payroll operation, employment legislation and policies, recruitment processes, and actions to retain and improve the Board's staff.

#### Objectives

##### *Payroll*

The specific objectives of the review will be to seek reasonable assurance that:

- all new posts are appropriately approved;
- starters and leavers are properly treated and enter and leave the payroll system at the correct dates;
- there is correct calculation of gross pay and deductions, including PAYE, national insurance and pension contributions;
- overtime payments and other variations to pay are properly authorised, processed and recorded;
- there is robust approval and checking of changes to employee standing data;
- payroll reconciliations are completed and reviewed on a timely basis;
- monitoring information is adequate for identifying incorrect payroll payments and to allow budget holders to manage their budgets effectively; and
- payments, whether to staff or paying deductions over to third parties, are properly authorised, processed and recorded within the Board's main financial system.

##### *HR / Staff Performance and Development*

The objectives of our audit will be to obtain reasonable assurance that:

- there is a process to identify changes in employment legislation and make changes on a timely basis;
- employment policies in place cover all appropriate areas and are considered adequate;
- staff have access to employment policies and are aware of their requirements;
- the recruitment process is efficient and effective and adheres to the requirements regarding equality;
- the Committee has a systematic approach to setting targets for staff, regularly assessing performance and development of staff and providing feedback; and
- training, including induction training, is clearly informed by an assessment of where staff have skills/ knowledge/performance gaps.

#### ***Our audit approach will be:***

From discussion with appropriate staff and review of procedural documentation, we will identify the internal controls in place and compare them with expected controls. A walkthrough of key payroll, recruitment, performance and training systems will then be undertaken to confirm our understanding followed up with compliance testing where considered necessary. We will report on any areas where expected controls are found to be absent or where controls could be further strengthened.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Asset Management
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	January 2014
<b>Days:</b>	3

#### **Scope**

This review will cover the arrangements in place for identifying, maintaining, reviewing and disposing of Board assets and the process for approving new capital spend.

#### **Objectives**

The main objective of our audit will be to establish whether the Board's asset management arrangements ensure that assets are safeguarded and that capital expenditure plans are appropriate and in line with the Board's strategic objectives.

To conclude on this objective we will establish whether:

- there is a system for recording assets and checking physical existence of these on a regular basis;
- a maintenance plan is in place over the Board's assets which is appropriately monitored;
- existing assets are reviewed on a periodic basis to ensure that they effectively meet the needs of the Board;
- asset disposals are properly authorised and recorded and such assets are disposed of securely; and
- there is a capital approval process which ensures that all capital spend is in line with the Board's strategy, has been appropriately prioritised and assessed, and provides value for money.

#### ***Our audit approach will be:***

Staff will be interviewed to understand current asset management systems, procedures and controls. The controls in place will then be compared against good practice.

A sample of items will also be tested to ensure that asset maintenance, disposal and capital appraisal controls are working effectively.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	General Ledger
<b>Priority:</b>	Low
<b>Joint Committee Meeting:</b>	November 2013
<b>Days:</b>	3

#### **Scope**

We will review the following processes as part of the audit:

- month-end financial close process;
- year-end financial close process; and
- updating user access rights and adding / removing users on the main financial system.

#### **Objectives**

The objective of our audit will be to obtain reasonable assurance that systems are in place to ensure that:

- the chart of accounts, coding structure, reports and procedures are adequate in respect of production of the Board's management accounts and financial statements;
- key controls are in place over the trial balance structure, control account reconciliations and journal entries;
- there is adequate control and reconciliation of the main feeder systems to the general ledger;
- bank reconciliations are performed timeously and adjusting reconciling items are processed within a reasonable time, and
- changes to the main financial system's user access rights, the addition of new users and removal of leavers are appropriately approved and updated on a timely basis.

#### ***Our audit approach will be:***

We will assess whether the above objectives are being met by documenting the systems and controls through interviews with relevant staff. We will also establish whether the expected key controls are in place by reference to CIPFA standard control risk assessment templates for a general ledger system.

Walkthrough and compliance testing will be performed to determine whether key controls are working effectively.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Corporate Governance and Control Environment
<b>Priority:</b>	Medium
<b>Joint Committee Meeting:</b>	June 2014
<b>Days:</b>	6

#### **Scope**

This review will cover corporate governance arrangements within the Board and compare these against best practice. This includes reviewing such items as:

- Code of Corporate Governance;
- Committee organisation and administration;
- Standing Orders;
- Financial Regulations;
- Delegation of Powers to Officers;
- Fraud and Corruption policies and procedures;
- Mainstreaming Equality Report;
- Preparation to comply with the Public Records Scotland Act 2011; and
- Complaints and Whistleblowing procedures.

#### **Objectives**

The primary objective of the audit will be to obtain reasonable assurance that the Board's corporate governance and control environment arrangements are in accordance with best practice as set out in *Delivering good governance in local government – A guidance note for Scottish Authorities published by CIPFA / SOLACE in 2008*, and the subsequent addendum issued in 2012.

The secondary objectives of our audit will be to obtain reasonable assurance that systems are in place to ensure that:

- anti-bribery and anti-corruption policies and procedures exist within the Board that are proportionate to the bribery and corruption risks it faces and to the nature, scale and complexity of its activities;
- procedures are in place to ensure that policies are equalities impact assessed to ensure they meet the requirements of the Equalities Act 2010.

#### **Our audit approach will be:**

We will identify the corporate governance arrangements in place through interviews with staff and analysis of any corporate governance self-assessment. Relevant supporting documentation will also be reviewed to gain evidence that the arrangements in place have been adequately documented, communicated and are operating effectively.

We will also carry out a follow-up review to check whether actions from Internal Audit report 2011/05, *Corporate Governance and Control Environment*, have been adequately implemented.



### 3. Outline Scope and Objectives

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<b>Audit Assignment:</b>	Follow-Up Reviews
<b>Priority:</b>	Various
<b>Joint Committee Meeting:</b>	January 2014
<b>Days:</b>	2

#### **Scope**

As part of the internal audit programme at the Board for 2013/14 we will review the recommendations raised within internal audit reports issued in 2012/13 and obtain an update on these. Areas covered during 2012/13 were:

- Report 2013/02 – Health & Safety;
- Report 2013/03 – Corporate Planning;
- Report 2013/04 – Council Tax;
- Report 2013/05 – Budget Setting and Budgetary Control; and
- Report 2013/06 – Electoral Register.
- Report 2013/07 – Follow-up

#### **Objectives**

The objective of our follow-up review will be to assess whether recommendations made in internal audit reports from 2012/13 have been appropriately implemented and to ensure that, where little or no progress has been made towards implementation, that plans are in place to progress them.

#### ***Our audit approach will be:***

- to request from responsible officers for each report listed above an update on the status of implementation of the recommendations made;
- to ascertain by review of supporting documentation, for any significant recommendations within the reports listed above, whether action undertaken has been adequate; and
- prepare a summary of the current status of the recommendations for the Audit Committee.